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Where development by western enterprise is the prime object 423 426
of colonial policy, land alienation need present no problem, except as regards the lands actually taken up for western enterprise, and even debt may not be serious. Thus, in large parts of Africa, 'so far conditions have not favoured the growth of moneylending; the general restrictions imposed on the sale of native land to non-natives, as well as the limitations which some territories have placed on the giving of credit to natives by non-natives have militated against it'.[1] It is sometimes suggested in British publications that there is little indebtedness in Netherlands India. But that is a mistake. The Dutch have protected the native against the worst result of debt, the loss of land, but not against incurring debt. In the development of British India and Burma by native enterprise the merchant gave out advances to secure produce; in Java the planter gave advances to secure labour. The actual moneylender is usually a middleman, in the Tropical Far East mostly Indian or Chinese, who reaps some of the profit that would otherwise be divided between natives and Europeans, with a lion's share to the latter. In such circumstances exporters of produce have a common interest with cultivators. Moreover, as is conspicuously illustrated in Burma, the transfer of land to people whose sole interest is to exact the highest rent, tends to reduce the outturn. Thus everywhere in the Tropical Far East we find sympathy for the cultivators in the clutches of middlemen: in Indo-China 'the chetty is a plague', in the Dutch Indies 'the foreign asiatic is worse than ten epidemics', in Burma the wiles of both *chettyars* and Chinese were denounced so far back as the early eighties. Both practical and humanitarian considerations demand a solution for the problem of indebtedness.

The favourite remedy for debt is the encouragement of co-operative credit societies. But this is no cure for debt, and it may quite possibly aggravate the disease which is the chief cause of debt, the disintegration of society by economic forces. It is no cure for debt, because the success of co-operative credit requires a genuine acceptance of co-operative principles, and this is a slow process, while debt increases daily. It tends to aggravate disintegration, because the principles on which it rests are contrary to those which form the basis of native social life and, indeed, of social life in general. The suggestion that co-operative credit accords with native ideas as being communal in character is mistaken.[2] The village community embraces all the inhabitants of the village in a common bond for all the purposes 452 474

[1] *African Survey*, p. 872. [2] *Ib.* p. 1482.

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452 474 of social life; the co-operative credit society includes only selected individuals who unite for specific economic ends. If a whole village were transformed into a co-operative credit society, it would at the same time be transformed from a village into a business concern. The spread of co-operative principles is much to be desired; it would encourage thrift and train the people in modern business methods, and mark a forward step towards the reintegration of native economy, the economic aspect of their social life. But, unless the limitations of the co-operative movement are appreciated, it is apt to be perverted from an instrument of native welfare into an instrument of economic progress. Ordinarily cultivators can borrow at a lower rate from a co-operative credit society than from a middleman. This should reduce the cost of production of native crops, and increase the margin between cost and yield. But competition in the market transfers the profit from the cultivators to the firms engaged in the export of tropical produce. Co-operative societies provide an attractive investment for banks and private individuals. The elimination of the middleman removes a possible competitor to western firms, and has political reactions by hindering the growth of a politically conscious middle class. In practice the multiplication of co-operative credit machinery usually outruns the spread of co-operative principles, and the co-operative credit service, established in the cause of native welfare, serves chiefly to promote the interests of western enterprise. This is the natural outcome of confounding two distinct problems: the social problem of training the people in modern business methods, and the economic problem of providing a remedy for agricultural debt.

452 474 453 In Netherlands India this distinction has been recognized, though by accident rather than design. One aspect of the Ethical movement was an attempt to foster co-operative credit. This made slow progress. The remedy for debt is to provide the cultivator with as much credit as he requires, and no more than he requires, at the lowest rate that economic conditions allow. The co-operative movement failed to solve this economic problem because the people, though quick to borrow money, were slow to accept new ideas. The Government held the view that the chief need of the cultivators was sound credit, and the co-operative societies were accordingly transformed into State banks of various types. This has been justified on the ground that if the economic problem can be solved, it will then be possible to foster co-operative credit as a social institution. Of recent years, therefore, co-operative societies have been established

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in addition to the State banks. How far the State banks have been successful in solving the economic problem is a matter of debate. The successful working of such banks demands a restriction on private credit. In Netherlands India this is provided in some measure by the application of native customary law to native lands, which prevents their alienation for debt to foreign moneylenders. But apparently the banks, nominally for agriculturists, find most of their clients among townsfolk; and some critics allege that the people borrow as much from private moneylenders as before, in addition to what is borrowed from the banks. It would appear then that the restrictions on private moneylending in Netherlands India are inadequate, but the banks do at least provide facilities for individuals to obtain credit on sound lines.

The State pawnshops in Netherlands India provide similar facilities for individuals, mainly townsfolk, to obtain temporary accommodation on a small scale. These also were an outcome of the Ethical movement, originating with the same man who started the early co-operative credit movement. Formerly the pawnshops were in the hands of the Chinese, who managed them merely with a view to profit. The pawnbrokers were cunning in sharp practice; the terms for loans were exorbitant, and the arrangements for the safe custody of pledges were unsatisfactory, while the shops were widely believed to be used as opium dens. All this has been changed, and the shops are not only a public benefit but yield a handsome revenue.

Both State banks and pawnshops illustrate the fact that the promotion of welfare does not necessitate the introduction of foreign capital. In fact they require practically no capital as, by beginning on a small scale, they can provide the capital for further development. All they require is a knowledge of the people and their economic situation, the will to promote their welfare and, above all, patience. They differ from co-operative credit societies mainly in three points. They appeal merely to economic motives, common to all men, whereas the co-operative movement urges social ideals easier to preach than to practise. They meet the requirements of individuals as such, whereas co-operative societies only meet the individual requirements of those who are willing to combine for common action. And in meeting individual requirements they fulfil their purpose, whereas the co-operative movement requires common *social* action for common *economic* ends which are prejudicial to common social life and thereby hinder common social action. Credit institutions, like public works,

453 may give the people new opportunities of improving their condition, and, if well managed, may give some protection against economic 426 forces, which public works, even irrigation works for the benefit of native enterprise, do not attempt. For the relation between 474 the co-operative movement and State credit, we may find a parallel in the relation between economic services aiming to increase collective production and those aiming to increase individual production. We have noticed that ordinarily the former fail because it is impracticable to obtain collective action by a sufficient number over a sufficient area, whereas the latter may meet with some success. Yet even individuals who take advantage of the new opportunities to produce more, ordinarily receive no lasting benefit, because they are unable to withstand the economic pressure of the environment. Co-operative credit and State credit are alike intended to strengthen them against this pressure. Experience in Netherlands India suggests that State credit has better chances of success. But it is important to appreciate the conditions of success. The State banks in Netherlands India have achieved useful results because the land policy protects cultivators against the impact of the West, and not because the banks protect them against the natural consequences of this impact. Similarly the pawnshops have been useful because the State monopoly of pawnbroking protects the people against the action of economic forces, and not merely against their natural consequences. State credit has no virtue in itself. It may, as has been charged against State banks in Netherlands India, merely increase the volume of indebtedness, and it is liable to become just an instrument of economic progress instead of helping to promote welfare. As an instrument of welfare it is of value only so far as it is accompanied by other measures in a comprehensive welfare policy.

7. Western Enterprise and Labour

423 The problems arising out of tropical development by western enterprise have a different character, and are more readily apparent and more urgent. In some cases it may lead to agrarian distress, but this is found chiefly where lands available for native occupation have been curtailed by the grant of large estates for European settlement. Such conditions present special difficulties. Formerly in Burma waste lands were granted or leased for European enterprise, but this resulted in the oppression of the natives, both on the estates and in their neighbourhood, and the concessions remained uncultivated